



# COMPETITION WATCH



Commonwealth Competition Council • P. O. Box 1475 • Richmond, Virginia 23218 • Vol. 8, No. 1 • July 2003

## Commonwealth Competition Council Members

### *Gubernatorial appointments*

The Honorable Sandra D. Bowen  
Richard D. Brown  
Beverly B. Davis  
Marcus D. Jones  
Roy Page  
Marian M. Pegram  
Sara Redding Wilson

### *Senate Privileges and Elections Committee appointments*

Senator Emmett W. Hanger, Jr.,  
Chairman  
Senator John C. Watkins

### *Members of the Small Business Commission*

Robert A. Archer  
Vacancy

### *Speaker of the House of Delegates appointments*

Delegate Allen L. Louderback  
Delegate Thomas D. Rust  
Edgardo Marquez  
David M. Zobel

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**COMPETITION WATCH**  
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Commonwealth Competition Council

## Welcome to latest gubernatorial appointees to the Commonwealth Competition Council

Governor Mark Warner has announced new appointments to the Commonwealth Competition Council. Terms on the Council are for three years with no citizen member being eligible to serve more than two three year terms. On July 16, the following were appointed for terms ending June 30, 2006:

**The Honorable Sandra D. Bowen**, Secretary of Administration, to one of four seats held by employees of the executive branch of government. She succeeds herself.

**Marcus D. Jones**, Deputy Secretary of Finance, to one of the four seats held by employees of the executive branch of government. He succeeds **Dr. Earl H. McClenney, Jr.**, whose term was served.

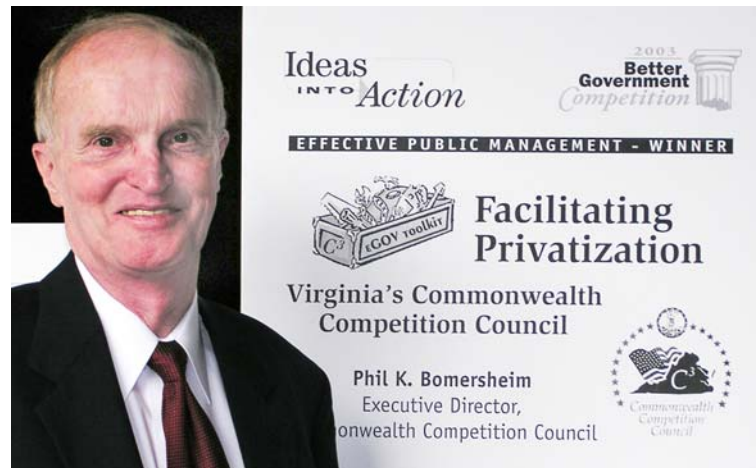
**Marian M. Pegram**, Senior Manager/Project Manager, with Thompson, Cobb, Bazilio & Associates, to one of the five private sector seats on the Council. She succeeds **Michael N. Pocalyko** whose term was served.

Chairman Senator Hanger said how fortunate the Council is to have these fine Virginians serving the Commonwealth and he looks forward to working with them.

The Council says goodbye to **Bernice E. Travers**, a member of the Small Business Commission, whose term on the SBC was served. Ms. Travers chaired the Council's Minority Certification Task Force.

The Chairman expressed the sincere appreciation of the Council to Dr. McClenney, Mr. Pocalyko and Ms. Travers who each served in an exemplary manner during their terms. Dr. McClenney was elected as the Council's Vice Chairman during his term of appointment and was involved in all aspects of the workings of the Council. Mr. Pocalyko served on the SJR 382 Council taskforce on developing a plan for maintaining a nonprofit and not-for-profit entity database in Virginia.

## Commonwealth Competition Council receives prestigious Pioneer Institute Award



We are proud to announce that the Commonwealth Competition Council was awarded one of the annual Pioneer Institute Awards on June 3, 2003, in Boston. Phil Bomersheim, Executive Director of the Council, received the award at an evening banquet. The Better Government Competition (BGC) is an annual ideas contest sponsored by the Pioneer Institute's Shamie Center for Restructuring Government and open to any citizen to improve the quality and cost-effectiveness of governmental services. Now in its 12<sup>th</sup> year, the BGC has had a major impact not only in the Commonwealth of Massachusetts but beyond as well.

To read the full award-winning  
entry entitled  
**Facilitating Privatization**,  
log on to:

<http://www.egovcompetition.com>

and it is shown under  
**What's NEW!**

The winner in the Effective Public Management category, Mr. Bomersheim wrote that the problem facing Virginia government is "...Competition between public and private providers remains an unfilled management promise. A statewide strategy for injecting competition into public service delivery can produce improved and more efficient public service at a reduced cost to the citizens... Training state employees to use the Competition Council's decision support tools helps transfer business practices to the public sector. The council is encouraging and rewarding innovation and entrepreneurship in top and middle management." He went on to write that "Virginia government is refocusing its mission on the customer and away from bureaucratic requirements and burdensome regulatory and administrative edicts. It is forging a close relationship with the private sector to take advantage of its competitiveness."

The Pioneer Institute wrote that "Virginia's Commonwealth Competition Council provides a comprehensive system for identifying opportunities to privatize public service delivery in that state. Unlike Massachusetts, which intentionally protects public services from competition with the Pacheco Law, Virginia puts the forces of competition to work in state government by providing the tools to determine the best, most cost-effective means of delivering public services. The council's website provides a suite of decision support tools to help government managers define, measure, analyze, and improve their operations. A PC-based cost comparison program, COMPETE, permits state agencies and institutions to develop fully allocated costs, compare alternative business proposals, and set benchmarks to measure contract performance."

The \$3,000 award has been deposited in the state treasury and will be used to fund future Council projects.

## **Public/Private Partnerships Could Help Solve Field Shortage**

REPRINTED FROM JUNE 6, 2003, MARCIA MCALLISTER, LOUDOUN TIMES-MIRROR

"Faced with the fact that [Loudoun County, Va.] is already way behind the curve on providing enough fields and the county's debt service costs are rising, the parks and recreation office says the problem is going to more than double as the county continues to grow over the next 25 years.

"Supervisors now are turning to the idea of creating public/private partnerships between the county and youth leagues as a way to increase the number of playing fields.

**Shortage of playing fields projected to more than double over the next 25 years**

"Supervisor Eleanor C. Towe, [Vice-Chairman] D-Blue Ridge, said she sees building public/private partnerships between the county and the youth sports community as a major way to help solve the problem."

## **Another state uses concepts similar to the Public Private Education Infrastructure Act (PPEIA)**

### **How'd they do that? -- Inderkum High School Builder turns landlord in school construction plan**

ANNE GONZALES, CORRESPONDENT

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"When students hit the halls of Natomas' newest high school next year, they might notice it's not your textbook schoolhouse. What they may not know is that Inderkum High School is also the product of a rare public-private financing partnership.

"With the state funding landscape looking bleak, Natomas Unified School District became one of the first districts in the state to try an innovative "lease-leaseback" agreement to get the \$58 million Inderkum High built. The package meant the district was able to get started quicker and spend bond money that would have been locked up in construction of Inderkum instead for improvements at other campuses. The district is also guaranteed that construction costs won't be more than \$58 million.

**Natomas Unified School District is one of the first in California to try innovative "leave-leaseback" agreement to get the \$58 million Inderkum High built.**

The agreement is allowed by a state law that was passed seven years ago but has been largely untested. Many in the education construction industry agree that the state's cash flow woes will make these arrangements more common in the next few years.

The building design itself is also innovative, and the high school is expected to serve as an anchor within the evolving North Natomas community. With 212,000 square feet under one roof, the two-story building is part of a 200-acre master-planned town center.

"People keep asking us what the mascot is going to be," said Ben Rodriguez, senior vice president of design and construction for The Eastridge Cos., the private real estate development firm building the school. "It's in a high-profile location. People are excited about it. It's going to be an anchor for activities in the community. Everybody loves to support their local high school."

Virginia's Public Private Infrastructure Act (PPEIA), check out:

For the law: <http://www.egovcompetition.com> click on the item under What's NEW!  
For the procedures: <http://www.administration.virginia.gov/Services/Vendors/PPEIA.cfm>

On the park, under one roof: Construction on the high school, named for a prominent dairy family in the Natomas area, began last August and is about 25 percent complete. The steel frame was erected last month, and subcontractors will soon start doing internal work. Rodriguez said the building is scheduled to open August 4, 2004, and the building's contractor, Turner Construction Co., is on track to complete work on time.

Natomas Unified School District Superintendent David Tooker is enthusiastic about both Inderkum High School's design -- by local architects Nacht & Lewis -- and the financing agreement with The Eastridge Cos.

The one-building design differs from most California schools, which usually are sprawling single-story designs.

"Because of our location in the town center, we wanted to conserve land, so we could have these partnerships," Tooker said. Inderkum High, which will eventually serve 2,000 students in grades 9 through 12, is being built on 50 acres at one end of a 96-acre regional park planned in the town center. The Natomas Town Center project is a joint venture among Los Rios Community College, the city of Sacramento and Natomas Unified. The site will also be home to a community college, a joint-use public library and a public park, and swimming pool.

"We wanted to partner with other entities to have access to more resources," Tooker continued. "Because we're part of a park, we wanted the high school to blend in. With the building under one roof, we don't have to have a big fence around all the buildings spread out."

Power from sun, heat from earth: Tooker said the one-building design also makes sense for security reasons and from an energy conservation standpoint. He said photovoltaic tiles, or solar power panels, on the roof of the building will produce 30 percent of the

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One building design  
for security reasons and  
emergency conservation  
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electric needs of the campus. The design also includes geothermal ground loops that circulate water in pipes underground for heating. The district has received grants to use on the energy conservation elements of the new building.

Ken Harms, director of educational facilities for Turner Construction, said the design reminds him of schools in the Midwest and East Coast.

"This is not typical of a West Coast school design, which typically is a stick frame or wood frame and spread out in many buildings," he said. "The steel-frame construction will give the district a durable and long-lasting building, and at a cost competitive with wood-frame, multibuilding campuses."

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Harms said Turner has about 15 school customers in Northern California, including a new middle school for Center Unified School District in Sacramento, and renovations and expansions to schools around the Bay Area.  
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"School construction and healthcare are the only sectors that are hot for building right now," Harms said. Turner Construction was founded in 1902, and the company built its first school that year. The company formed a division of education facilities five years ago.

"School construction has always been an important part of our business," Harms said. "We recognized the market and how it would grow."

Buy our school for us: With the agreement with The Eastridge Cos., Natomas Unified became one of a handful of school districts across the state plunging into a private delivery system for new construction, sometimes referred to as a "lease-leaseback agreement."

Eastridge is paying for the school's construction, and after its completion the company will lease the high school to Natomas Unified until the district can buy the structure. Under the agreement, the district could take 20 to 30 years to repay Eastridge, but Tooker said he hopes to repay the private real estate firm at the time of the school's opening, using a combination of state funds, local bond revenues and developer fees.

The lease-leaseback agreement differs from typical new school construction financing, Tooker said, in which a district hires an architect, the project is put out to bid and the district contracts with the low bidder.
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By using the private delivery method, the district doesn't have to wait for state funding to start construction because Eastridge pays the cost of building up front. The agreement also means the district can use \$14 million of a \$45 million bond sale, earmarked for the high school's construction, to instead pay for new playgrounds and expanded kitchens at two elementary schools a year earlier than originally planned.

### ***ALMOST A YEAR AHEAD OF SCHEDULE***

Natomas High School also will get its swimming pool and another elementary school will get its library a year ahead of schedule.

Tooker said the biggest drawback to the financing arrangement is that the practice is new, prompting attorneys on both sides to go over the agreement with a fine-toothed comb. So far, districts in Palm Springs, Wheatland and Lincoln have used the financing strategy.

Use likely to rise: Susan Eastridge, president of The Eastridge Cos., said build-to-suit leaseback agreements will become more common as states across the nation face funding squeezes. High birth rates will send huge numbers of young people through the public school system at the same time that the nation's burgeoning senior population may turn away from paying taxes to public schools.

"This is born out of necessity," Eastridge said. "We're seeing the public education system embrace this new business mode in keeping with the California economy and the state budget."

She said school districts are also realizing they don't want to be in the real estate business, so making agreements with real estate investment firms will become more popular.

Inderkum High will be the first public high school built this way in California, and will mark The Eastridge Cos.' entrance into the state's market. She acknowledged the practice is new, but finds more districts nationwide are willing to venture into such agreements.

### **First public high school built this way in California**

"No one wants to be the first patient to go under the knife of a new brain surgeon," she said. "The system seems to punish innovation, so many districts are leery of trying it. But a number of districts are looking into it. Statewide

school associations are holding seminars on it. There's a sense of urgency about it now because of the budget situations in many states."

Rodriguez said The Eastridge Cos. is negotiating with two other California districts to build schools using the lease-leaseback agreement. "It helps the public process, because you're able to get through the hoops much quicker," he said. "Many big projects for schools are slow-paying, but this is fully funded."



## TIGHT MONEY: WAYS TO SAVE FUNDS

### GREEN Stands for Money Saved

#### ANNUAL SAVINGS

over \$57,000

Virginia saves over \$57,000 per year in energy costs because of the installation of Light Emitting Diodes (LED) Exit signs. Also, the LED exit signs burn out every 20 years, whereas the old lights had to be changed twice a year by the maintenance staff (Matto, Tony "UVA facilities management interview," 11.01.02).

over \$63,000

The University of Virginia saves over \$63,000 per year in energy costs because of the installation of motion sensor lighting (Matto, Tony "UVA facilities management interview," 11.01.02).

unspecified

Colombia University, Ball State University, Georgetown University, University of Vermont, University of Wisconsin, and Tufts University have taken steps to think comprehensively about the range of stewardship in curriculum, operations, and university policies (Creighton, Greening the Ivory Tower, 7).

\$77,000

Princeton University is expected to save \$77, 000 for the next year because of recycling ([www.secondnature.org](http://www.secondnature.org)).

over \$9,000

University of Northern Iowa's new Environmental Science building, which encompassed green technologies and was built at the market price, saves the University over \$9,000 per year (Creighton, 114).

recycling at its best

At the University of North Carolina Asheville in the fall of 2001 three residence halls were demolished, but every single material was either reused or recycled (<http://fyi.cnn.com/2001/fyi/teachers.ednews/11/13/recycled.dorms.ap/>) .

over \$300,000

University of Chicago Graduate School of Business used new energy technology that helped them save over \$300,000 on energy bills (Creighton, 114).

Oberlin College built the country's first self-sufficient building, and has united with the community to discuss environmental reform of the city of Oberlin (<http://www.oberlin.edu/~observer/fall1997/Sustainable%20Symposium.pdf>).

energy savings

Green Mountain University saved 260,000 kWh a year upon installing Energy Star labeled light fixtures. This is equivalent to the use of 40 cars a year ([www.energystar.gov](http://www.energystar.gov)).

## City to Solicit Partners

REPRINTED FROM JULY 8, 2003, KIM ANDERSON, THE FREE LANCE-STAR

“Fredericksburg [Va.] school officials will accept proposals from companies that want to design and build new schools.

“The city School Board voted...to adopt procedures for accepting proposals for public-private partnerships.

“This means Fredericksburg can now receive unsolicited proposals from public-private teams and advertise to get competing proposal, said Superintendent Dale Sander.

“The School Board’s construction plan calls for an upper elementary school (grades three to five) to be ready in 2005 and a high school in 2007.”

<p><b>An example of the PUBLIC PRIVATE EDUCATION INFRASTRUCTURE ACT (PPEIA) IN VIRGINIA</b></p>
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*Editor Note:* Fredericksburg City public schools  
September 30, 2002, fall membership numbers,  
revised as of April 11, 2003, are as follows:

Original Walker-Grant Pre School (special ed)	31
Hugh Mercer Elementary (KG-03 grade)	741
Walker-Grant Middle (04-07 grade)	794
James Monroe High (08-12 grade)	<u>851</u>
Total	2,417

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**Sorry, no COMPETITION WATCH in April 2003.  
Hope you enjoy this catch up edition**

If you are interested in past issues, please log on to the Council website or call the office for a copy.

**The Commonwealth Competition Council web portal provides 24-hour support, 7 days a week, to individuals interested in entrepreneurial government and continuous improvement in their organizations. An e-Gov entrepreneur's toolkit is available to answer your questions and to provide assistance.**

<http://www.egovcompetition.com>